

VILLAGE OF ARDENCROFT
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2006

**VILLAGE OF ARDENCROFT
INDEX
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>PAGES</u>
Independent Accountant's Report on Applying Agreed-Upon Procedures	1 - 3
Schedule of Municipal Grants	4

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Ardencroft
1500 Upsan Downs
Ardencroft, Delaware

We have performed the procedures enumerated below, which were agreed to by Village of Ardencroft and the State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist you with respect to determining the Village's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2006 on Page 4. The Village of Ardencroft's Management is responsible for compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards* (2003) issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by *Government Auditing Standards* (2003). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Document understanding of cash disbursement internal control structure over Municipal Street Aid grant funds from discussion with management and report internal control weaknesses.

FINDING NO. 06-1 - During completion of the Village of Ardencroft's program checklist for the Municipal Street Aid grant, it was noted that their cash internal control structure over Municipal Street Aid has limited segregation of duties due to lack of personnel. The Treasurer controls all the cash functions for the Village, which is a reportable internal control weakness that does not properly maintain and safeguard Municipal Street Aid funds. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

RECOMMENDATION - The Village should segregate duties related to cash among different Village board members so that additional controls over the Village's municipal grants can be established.

VILLAGE'S PLAN FOR CORRECTIVE ACTION:

"The process for writing checks for the Village requires the signature on the invoice of the Chairman of the Public Works Committee authorizing the payment. At bi-monthly Town Meetings the Treasurer's Report states all financial activity on the Village's accounts. The change we will make is to add a second signature of another Town Officer to all MSA fund checks."

FINDING NO. 06-2 - During completion of the Village of Ardencroft's program checklist for the Municipal Street Aid grant, the Village was unable to locate the deposit slip for the Municipal Street Aid grant deposit, so we were not able to determine whether funds were deposited timely into the bank account. Failure to maintain proper documentation for grant transactions could result in the loss of funding.

RECOMMENDATION - The Village should take measures to ensure that the proper documentation is maintained for all Municipal Street Aid deposits.

VILLAGE'S PLAN FOR CORRECTIVE ACTION:

"The deposit slip for the 2006 Grant has been retained. The statements from the account housing the funds do show amounts and dates of deposits."

2. Complete the State of Delaware Auditor of Accounts municipal grants agreed-upon procedure program to determine the Village's compliance with applicable laws, regulations and financial reports related to municipal grant funds received during the year ended June 30, 2006. Detail any instances of noncompliance.

FINDING NO. 06-3 - During completion of the Village of Ardencroft's program checklist for the Municipal Street Aid grant, it was noted that their annual expenditure report was not accurately prepared nor submitted timely to the Office of the State Treasurer for the fiscal year ended June 30, 2006. The Village was required to submit an annual report to the Office of the State Treasurer on or before October 1, 2006 [30 Del. C. §5165(b)(2)]. The beginning balance was understated \$ 1,710.61 and the ending balance was understated by \$ 1,564.24 on the annual expenditure report. In addition, the total interest earned on the funds was overstated by \$ 146.37. Failure to timely submit accurate financial reports could result in delay or loss of grant funding.

RECOMMENDATION - The Village should ensure future Municipal Street Aid annual reports are filed on or before October 1st and should more carefully prepare and review the annual report to ensure an accurate presentation.

VILLAGE'S PLAN FOR CORRECTIVE ACTION:

"There is other money in the account that did not come from Municipal Street Aid. A research of financial records will be made to ascertain that amount and remove from account or to roll the non Municipal Street Aid into the MSA total and add to the report. A schedule will be made to get the reports in by deadlines."

FINDING NO. 06-4 - During completion of the Village of Ardencroft's program checklist for the Municipal Street Aid grant, it was noted that excess Municipal Street Aid funds maintained by the Village were not all invested in securities guaranteed by the United States as required by Delaware Code [30 Del. C. §5165(c)]. The investment of these funds in other than United States securities exposes the Municipal Street Aid funds to the potential risk of loss.

RECOMMENDATION - The Village should only invest Municipal Street Aid funds in securities that are United States government guaranteed.

VILLAGE'S PLAN FOR CORRECTIVE ACTION:

"While the Village is confident Fidelity Investments is in very little probability to collapse causing financial loss we will endeavor to find a financial vehicle that pays high interest and provides FDIC coverage."

3. Note all situations or transactions that could be indicative of fraud, illegal acts, material errors, defalcations, irregularities or gross violations of the grant agreements and abuse or misuse of State funds.

During completion of the program checklist, no fraud, illegal acts or gross violations of grant agreements and no abuse or misuse of state funds were noted.

4. Prepare the Village's Schedule of Municipal Grants received during the year ended June 30, 2006.

See Page 4.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Village's compliance with Delaware's laws and regulations, financial reporting and the effectiveness of the internal control structure related to municipal grant funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of the Village of Ardencroft's Management and Trustees, Department of Homeland Security, Office of the State Treasurer and Office of Auditor of Accounts, and is not intended to be and should not be used by anyone other than those specified parties. However, under 29 Del. C. §10002(d), this report is a public record and its distribution is not limited.

Jefferson, Ulan, Doane & Starnes, P.A.

Georgetown, Delaware
November 27, 2006

**VILLAGE OF ARDENCROFT
SCHEDULE OF MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2006**

- 4 -

<u>Grants</u>	<u>Amounts Received</u>
Municipal Street Aid	\$ 6,449.56
Police Pension	-
State Aid to Local Law Enforcement	-
Emergency Illegal Drug Enforcement	-

See independent accountant's report on applying agreed-upon procedures.